

JIM FOLSOM, JR.
LIEUTENANT GOVERNOR



ALABAMA STATE HOUSE
MONTGOMERY, ALABAMA 36130

STATE OF ALABAMA

April 4, 2008

(All Lieutenant Governors)

Dear Governor:

I would like to address a number of critical issues relating to the recently awarded federal contract to build refueling tankers for the United States Air Force.

The announcement by the Speaker of the House that Congress would be investigating the award of the contract has created a whirlwind of media coverage. As a result, a vast amount of misinformation has been reported distorting the facts surrounding the award, and making any impartial evaluation of this situation problematic.

At the outset, let me say that Boeing is a valuable corporate citizen of the State of Alabama. As a leader in their field, they make an annual investment of over 1.5 billion dollars in Alabama and are responsible for 10,000 direct and indirect jobs.

Considering the enormous effects of this project on the state of Alabama, it is imperative for me to share some pertinent information regarding the Northrop Grumman contract and the vast impact it will have not only on my state, but the entire country.

First of all, let me draw your attention to the obvious question of whether a new tanker fleet is necessary. According to experts in the aviation field and the United States military, the decision to replace our aging tanker fleet is long overdue.

The aircraft comprising our current refueling tanker fleet averages nearly fifty years of service. General Arthur Lichte, Air Mobility Commander for the Air Force, has stressed that even with the creation of a new fleet, we will still have refueling aircraft in the existing fleet that are well over eighty years old. According to General Lichte, the KC-135 E's are in desperate need of being retired as soon as possible. Colonel James Vechery, Commander of the 22nd Air Refueling Wing, stated on the record the ominous warning that our tanker fleet is "one catastrophe away from being grounded."

Without appropriate refueling capabilities, hundreds of American servicemen and women will be placed in life threatening situations. Air Force Secretary Michael Wynne recognized that it is unreasonable and irresponsible to expect our airmen and women to continuously defend our national interests with the aging aircraft in our existing fleet. Wynne added that the existing fleet's readiness, reliability, and availability are severely in decline.

There have been many conflicting statements and a barrage of slanted opposition not only about the contract being awarded to Northrop Grumman, but also the fact that parts of the aircraft and portions of the construction will take place outside of the United States. Economic experts have weighed in on this issue, outlining that international cooperation and involvement is standard practice with projects of this magnitude.

Aerospace consultant Richard Aboulafia with the TEAL Group states that using national barriers as an arguing point is simply an erroneous oversimplification of a global business. Northrop's Chairman Ronald Sugar contends that all modern aircraft makers should work with a global supply chain in order to get the best products at the best price. In fact, Sugar maintains that AIRBUS subcontracts ten billion dollars per year with U.S. companies.

While a recent editorial in the *Wall Street Journal* characterized the modern aerospace industry as an "increasingly global affair," it states that more than half of the tankers will be made in the United States. It is ironic that the *Journal* goes on to point out that had Boeing won the contract, portions of that tanker would also have been built outside of this country.

Considering all aspects of this contract, it is undeniable that this project will have its greatest impact on this country. Northrop Grumman has confirmed that nearly 60% of the aircraft would be made in the continental United States, resulting in the creation of 48,000 direct and indirect jobs in 49 states.

My concluding observations are aimed at the deluge of speculation and hyperbole surrounding the contract selection process. The numerous allegations and challenges to the selection process appear unfounded. By nearly every measurable criterion, the competition for this contract was not a close contest.

Loren Thompson, a defense analyst with the Lexington Institute states the competition was not close, with Northrop Grumman dominating the process. Thompson states that Boeing was outscored on all but one of the key criteria, including cost, capability, and track record with other contracts.

Air Force Secretary Michael Wynne told Congress that Northrop was clearly "a better performer" and offered the Air Force an aircraft that was "less risky and less expensive" than that of the competition.

These evaluations correspond with the opinions of Assistant Secretary of Defense Sue Payton who said that when considering all of the governing criteria, Northrop Grumman provided the best value to the government. The opinions of these experts are only bolstered when evaluated against other contract selections in foreign countries in which Northrop Grumman and Boeing competed. On similar projects of scale and scope, Northrop was selected over the same competitor for four of six awards.

A direct and independent evaluation of the selection process coupled with the opinions of experts in the aerospace field serves to further validate the Northrop Grumman award and provides motivation for its implementation. An interruption in this process could have devastating effects on our national defense posture.

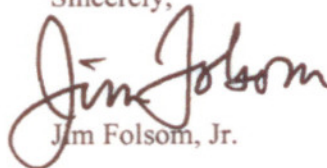
Every indication has been given that this competition was fair and that Boeing was fully aware of their standing throughout the course of this process. Assistant Secretary of Defense Sue Payton stated that the competitors were well informed of their weaknesses and were given substantial opportunities to provide feedback to the selectors.

USA Today points out that Air Force officials were "extra careful," in involving the Defense Department's Inspector General and the GAO, the investigative arm of the Congress, in this process.

The exhaustive bidding and vendor selection process required over two years to complete. This was ample time for any questions and concerns to be addressed. The rules for the selection process were established well in advance and the selection was determined by those guidelines.

We must honor the outcome of a fair process. A failure to do so, serves only to delay the positive impacts that this project will have, not only to the United States Air Force, but also the thousands of working families who will be affected by an economic development project of this stature.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jim Folsom". The signature is fluid and cursive, with a large initial "J" and "F".

Jim Folsom, Jr.

c: The Honorable Bob Riley, Governor
The Honorable Seth Hammett, Speaker
The Honorable Richard Shelby
The Honorable Jeff Sessions
Alabama Congressional Delegation
The Honorable Sam Jones, Mayor, City of Mobile
Mobile County Commission
Mobile County Legislative Delegation
Mr. Jimmy Lyons, Mobile Port Authority